Saskatchewan Economic and Financial Position

August, 1991

The Hon. Lorne H. Hepworth
Minister of Finance

92-00690/

Report from the Minister of Finance

I am pleased to present the annual summary report on Saskatchewan's economic and financial position.

This report provides the latest information on Saskatchewan's economic performance for the 1990 calendar year and the Government's preliminary financial results for the fiscal year ended March 31, 1991.

In 1990, while most of the rest of the country experienced a recession, the Saskatchewan economy continued to grow. Buoyed by a bountiful harvest, Gross Domestic Product, in real terms, rose by 2.3 per cent. Crop production in 1990 exceeded 1989 levels by 33.4 per cent. In real terms, exports, led by grain shipments and manufactured goods, grew by 11.2 per cent, while imports dropped 2.0 per cent from the previous year. Total investment posted growth of 1.8 per cent in real terms over 1989, with growth in non-residential construction soaring at 19.5 per cent.

While Saskatchewan experienced significant real growth in production in 1990, low prices for our major commodities limited the value of that production. This is particularly evident in the case of agricultural commodities. 1990 produced a near-record crop in Saskatchewan, but international prices for grains at a sixty-year low resulted in declining farm incomes.

During 1990, Saskatchewan's unemployment rate, at 7.0 per cent, was the second best among provinces, and remained well below the national rate of 8.1 per cent. The 1990 rate of inflation in Saskatchewan, as measured by the Consumer Price Index (CPI), was also below the national rate of 4.8 per cent. The CPI for Regina increased 4.2 per cent over 1989, while the corresponding measure for Saskatoon increased 4.4 per cent over 1989.

Assistance in the form of the Canada/Saskatchewan Crop Assistance Program provided Saskatchewan farmers with $277 million in relief from low market prices in 1990-91. Fluctuations in farmers' incomes must be reduced. A strong agriculture sector will provide a solid foundation for rural Saskatchewan and the entire Province.

Without government support, Saskatchewan farmers would have lost money every year since 1985. Although farmers would have rather received a fair price for their products, government programs provided important sources of stability through difficult times.

Producers, consumers, taxpayers and all governments recognized that the ad hoc programming of the past did not address longer term needs. Three lines of defence have been established to ensure long-term stability for the industry.

The first line of defence relies on farmers to continue their traditional innovative and skillful management practices to ensure that their own operations are efficient and competitive. The second line of defence consists of programs, including the new Gross Revenue Insurance Plan (GRIP) and Net Income Stabilization Account (NISA) programs, designed to reduce variations in farm receipts and provide income stability to the industry. A third line of defence will still be required from time to time in extraordinary circumstances. An example of this is provided in the recently announced federal enhancements to NISA.

The 1991 crop looks very promising. Early and abundant rainfall throughout most of the grain belt has provided excellent growing conditions and suggests a well above-average or even record crop. Nevertheless, we remain extremely concerned about historically low international grain prices. Steps must be taken, and they must be taken now, to resolve the situation of unfair and irresponsible competition in world grain markets. Saskatchewan farmers deserve a fair price for their product and should not be asked to bear the brunt of subsidies paid to relatively inefficient farmers in other countries.

Despite pressures for increased spending in health, education and agricultural support, careful management of the public purse resulted in the 1990-91 deficit coming in below target. The Government's 1990-91 preliminary financial results indicate a budgetary deficit of $360.4 million, down $17.3 million from the previous year and below the original Budget Estimate of $363.1 million.

The 1991-92 Budget tabled in the Legislature provides for an acceleration of this downward trend in the deficit. For 1991-92, the deficit is projected to fall to $265.1 million, down $95.3 million from last year.

The 1991-92 Budget introduces a six point plan to financial recovery. This plan assures that the deficit and the debt will be dealt with in a realistic and fair manner.

The first point in the plan involves the establishment of achievable deficit targets. Eliminating the deficit cannot be accomplished overnight. While moving toward a balanced budget, deficit targets must be reasonable and achievable. The 1991-92 deficit will be $265 million. The deficit will be under $150 million in 1992-93 and we will have a balanced budget the following year.

While public sector wage increases in Saskatchewan have been below those in the private sector since 1983 and the lowest in Canada in recent years, continued wage restraint is the essential second point of the financial plan. In January, 1991, guidelines to restrict increases in public sector wages and compensation to a maximum of 4% were announced for the current round of bargaining. Wage and compensation increases will be further restricted to a maximum of 2% commencing in October, 1991, through 1991-92 and 1992-93.

The third point of the financial plan is the provision of realistic operating grants to our partners in government. School boards, post-secondary education institutions, hospitals and special-care homes must be part of any plan to achieve financial stability. Grants to these partners will be increased 3.5% this year and will be limited to a maximum of 3.0% growth in each of 1992-93 and 1993-94.

The tax system must be fair, simple, supportive of families and must encourage economic growth and diversification. The tax system in place today, including full harmonization with the federal GST by 1992, will serve Saskatchewan well into the future, providing a stable source of revenue. At the same time, the availability of input tax credits to Saskatchewan businesses will ensure their competitiveness in trade with the rest of Canada and the world. As the fourth point in the plan to financial recovery, there will be no tax increases for 3 years. The additional revenue that sales tax harmonization will generate will be used to pay for GRIP and NISA with any excess going towards reducing the deficit.

The provision of more effective and efficient government is the fifth point in the financial plan. Much has been done in the past to make government more effective and more efficient, but still more will have to be done. Controls on internal spending will be tightened. Restrictions will continue to apply to purchases, travel and hiring. Further streamlining to enhance efficiency and reduce costs will be undertaken.

A renewal and improvement in the financial arrangements between the federal government and the provinces is the sixth point in the financial plan. It is essential to the long-term financial stability of Saskatchewan that a new deal, based on a firm, ongoing, federal financial commitment to health care, education and agriculture be worked out.

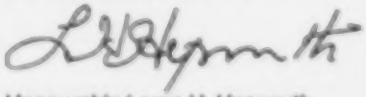
Stabilizing the rural economy of Saskatchewan is essential. Diversified agricultural production, together with increased economic opportunities, will ensure strength and stability of the rural economy and the rural way of life. The Fair Share Saskatchewan program will provide stability to rural Saskatchewan and ensure a continued economic base for our urban centres.

Local initiative is being mobilized and supported through the creation of Rural Development Corporations, Community Economic Development Committees and programs such as Community Bonds. The recent decision to make Community Bonds RRSP eligible makes this investment vehicle much more attractive to the local investor and even more effective in diversifying the rural economy.

While protecting the economy of rural Saskatchewan is essential, it is equally important to secure the prosperity of urban communities. The Province has been very active in trying to attract new businesses to Saskatchewan cities as well as encouraging residents to invest in their own communities, large and small.

The well-being of Saskatchewan's people requires a strong and stable economy. A strong economy will provide new jobs and new opportunities in industries which are more secure. It will also stabilize government revenue, protecting and strengthening the funding for existing government services. Both large and small diversification projects are needed which will contribute to stabilizing the economy of the whole Province.

The combination of financial security and stability through the Government's six-point plan to financial recovery, strength in agriculture through the three lines of defence and a strong and diversified economy will provide the basis for continued growth in the Saskatchewan economy and protection of the Saskatchewan way of life.



Honourable Lorne H. Hepworth
Minister of Finance

Economic Highlights

1990 Calendar Year Preliminary Results

Gross Domestic Product

Saskatchewan's economy continued to grow in 1990, largely as a result of near-record agricultural production. In 1986 dollar terms (inflation-adjusted), real Gross Domestic Product (GDP), which measures the volume of goods and services produced in the province, increased by 2.3 per cent. In 1990 dollar terms, economic growth was 4.7 per cent.

Exports surged by 11.2 per cent, in real terms, led by grain shipments and manufactured goods, while imports decreased by 2.0 per cent. Personal expenditure on goods and services was flat but government expenditure on goods and services moved ahead by 4.0 per cent.

Last year's growth was also aided by investment, which increased by 1.8 per cent in inflation-adjusted terms. Growth in business non-residential construction was particularly impressive at 19.5 per cent.

Real final domestic demand, which is the sum total of personal expenditure on goods and services, government expenditure on goods and services and investment, increased by approximately 1.0 per cent, after adjusting for inflation.

Personal Income

Total personal income had a modest growth of 3.1 per cent in 1990 despite a drop of more than one half in farm income. Net income received by farm operators from farm production was less than half as much as in 1989. All other components of personal income showed strong growth. Interest, dividends and miscellaneous investment income, aided by high interest rates last year, increased by 11.0 per cent. Wages, salaries and supplementary labour income also went up by 4.8 per cent.

Consumer Prices

The inflation rate in Regina, as measured by the percentage rate of increase in the Consumer Price Index, was 4.2 per cent in 1990. A similar index for Saskatoon showed a 4.4 per cent inflation rate. Both cities' inflation rates were lower than the national average of 4.8 per cent last year.

Population and the Labour Force

Saskatchewan's population, as at June 1, 1990, stood at one million people, down 7,000 people from June 1989.

Saskatchewan's total labour force was 483,000, up 1,000 from the 1989 level. Employment was 449,000, up 3,000 from 1989 while unemployment was down by 2,000. Saskatchewan had the second lowest unemployment rate among the provinces in 1990, at 7.0 per cent. The average unemployment rate for Canada during the same year was 8.1 per cent.

Agriculture

Saskatchewan produced a bountiful harvest in 1990 at 25.2 million tonnes. However, international wheat prices dropped to very low levels and other farm payments declined. Realized net farm income, which is what is left to farmers after deducting operating expenses and depreciation from cash receipts, amounted to only $266 million compared to $776 million in 1989.

Total farm cash receipts in 1990 amounted to $4.0 billion, down by approximately $0.4 billion from 1989. Crop receipts provided 61.0 per cent of the total cash receipts while livestock provided 22.0 per cent. Government payments made up the remainder of 17.0 per cent, down from its previous year's share of 27.0 per cent.

Minerals

Saskatchewan mineral sales were up by 8.6 per cent in 1990. Sharply higher oil prices during the year boosted the total dollar value of oil sales by 28.6 per cent. Oil drilling activities also picked up, encouraged by the favourable upturn in prices. The number of oil wells drilled climbed to 601 from 365 in 1989.

Natural gas sales amounted to $344.0 million, up by 17.0 per cent from 1989. The continuing weakness in the spot price of gas, however, has caused gas drilling activities to drop to 537 wells last year from 960 in 1989.

Potash sales fell 14.8 per cent and production dipped by 7.6 per cent from levels of a year ago. Slower than anticipated sales in Canada and the United States caused potash inventories to swell during the year. As a consequence, potash prices fell.

The uranium industry also remained weak with both value of sales and production volume dropping by 9.5 per cent and 22.0 per cent, respectively. Sales declined because of poor market conditions while production was hurt by the shutdown of Collins Bay for the year.

Trade With the Rest of Canada and Abroad

Even as key Saskatchewan exportables await the end of the cyclical downturn in prices, overall exports surged ahead by 9.6 per cent in 1990, turning the trade deficit of $342 million in the previous year into a surplus of $185 million. In real terms, the trade surplus was $405 million in 1990.

Manufacturing Shipments and Retail Trade

The value of manufacturing shipments was unchanged in 1990 at $3.6 billion. Retail sales grew by 2.6 per cent.

The 1991 Outlook

Following last year's near record crop, this year's agricultural production is expected to be well above-average and could hit record levels. Although international grain prices will likely remain at all-time lows, payments through the new long-term safety-net programs, GRIP and NISA, will improve farm cash flows.

Investment is expected to remain strong as several large construction projects continue. These and other economic diversification initiatives, such as the Community Bond Program facilitating local investment, will provide stability during a period of continuing weakness in commodity prices.

Overall, Saskatchewan's economy in 1991 is expected to experience modest growth as a result of increased agricultural production and higher investment. In addition, lower interest rates should stimulate consumer and business spending this year.

Saskatchewan Economic Statistics

Calendar Year	1986	1987	1988	1989	Preliminary 1990
Gross Domestic Product - Current Prices - Millions of Dollars					
Personal Expenditure on Goods and Services	10,442	11,194	11,837	12,345	12,746
Government Expenditure on Goods and Services	3,853	3,796	3,973	4,262	4,649
Gross Fixed Capital Formation	4,201	4,623	4,870	4,565	4,758
Value of Physical Change in Inventories					
Non-Farm	18	(121)	77	123	(93)
Farm Inventories and Grain in Commercial Channels	847	(260)	(789)	441	563
Exports of Goods	6,129	7,486	7,511	7,116	7,800
Minus: Imports of Goods	6,626	7,078	7,608	7,458	7,615
Net Exports of Services and Residual Error	(1,988)	(2,487)	(1,781)	(1,786)	(2,289)
Gross Domestic Product	16,874	17,154	18,089	19,608	20,519
Annual Rate of Change (Per Cent)	(1.8)	1.7	5.4	8.4	4.7
Per Capita Gross Domestic Product (Current Dollars)	16,703	16,887	17,848	19,477	20,530
Gross Domestic Product - Millions of Constant 1986 Dollars					
Personal Expenditure on Goods and Services	10,442	10,745	10,935	10,911	10,852
Government Expenditure on Goods and Services	3,853	3,682	3,828	3,999	4,160
Gross Fixed Capital Formation	4,201	4,461	4,563	4,128	4,204
Value of Physical Change in Inventories					
Non-Farm	18	(125)	182	165	(95)
Farm Inventories and Grain in Commercial Channels	847	(388)	(1,197)	482	512
Exports of Goods	6,129	7,239	6,795	6,144	6,834
Minus: Imports of Goods	6,626	6,750	7,037	6,561	6,429
Net Exports of Services, Residual Error and Adjustment	(1,988)	(2,434)	(1,744)	(1,682)	(2,054)
Real Gross Domestic Product	16,874	16,432	16,326	17,586	17,983
Annual Rate of Change (Per Cent)	7.5	(2.6)	(0.6)	7.7	2.3
Per Capita Gross Domestic Product (1986 Dollars)	16,703	16,177	16,108	17,469	17,992
Gross Domestic Product at Factor Cost by Industry - Current Prices - Millions of Dollars					
Total Primary Industries and Construction	4,080	3,895	3,846	3,927	3,499
Agriculture	2,331	1,709	1,894	1,897	1,445
Fishing	8	9	10	10	11
Forestry	42	42	46	49	51
Mining	996	1,291	1,022	1,076	1,096
Construction	703	846	874	894	896
Manufacturing	1,038	1,100	1,214	1,328	1,315
Transportation, Communications and Storage	1,420	1,487	1,533	1,582	1,592
Utilities	356	396	538	632	634
Trade	1,803	1,917	1,924	2,011	2,033
Finance, Insurance and Real Estate	3,035	3,271	3,483	4,003	4,215
Services	3,715	3,884	3,868	4,048	4,404
Public Administration	1,222	1,307	1,282	1,425	1,477
Gross Domestic Product at Factor Cost	16,669	17,259	17,689	18,956	19,169
Indirect Taxes Less Subsidies	205	(105)	400	651	1350
Gross Domestic Product at Market Prices	16,874	17,154	18,089	19,608	20,519

Saskatchewan Economic Statistics (Cont.)

Calendar Year	1986	1987	1988	1989	Preliminary 1990
Trade with the Rest of Canada and Abroad - Current Prices - Millions of Dollars					
Exports					
Grain	2,002	2,472	2,611	2,027	2,198
Crude Oil	1,109	1,450	1,075	1,187	1,336
Potash	553	727	974	880	795
Manufactured Goods to Rest of Canada	853	924	799	855	908
Other	1,612	1,913	2,052	2,167	2,563
Total Exports	6,129	7,486	7,511	7,116	7,800
Imports					
Crude Oil	232	314	165	180	180
Natural Gas	90	50	18	11	11
Manufactured Goods from Rest of Canada	3,177	3,382	3,617	3,721	3,683
Other	3,126	3,331	3,808	3,546	3,741
Total Imports	6,626	7,078	7,608	7,458	7,615
Trade with the Rest of Canada and Abroad - Millions of Constant 1986 Dollars					
Exports					
Grain	2,002	2,683	2,172	1,558	1,953
Crude Oil	1,109	1,160	1,182	1,073	977
Potash	553	619	625	551	557
Manufactured Goods to Rest of Canada	853	898	749	785	825
Other	1,612	1,879	2,067	2,177	2,522
Total Exports	6,129	7,239	6,795	6,144	6,834
Imports					
Crude Oil	232	261	186	158	158
Natural Gas	90	67	25	15	15
Manufactured Goods from Rest of Canada	3,177	3,291	3,373	3,401	3,359
Other	3,126	3,131	3,454	2,985	2,897
Total Imports	6,626	6,750	7,037	6,561	6,429
Value of Mineral Sales - Millions of Dollars					
Oil	1,174	1,515	1,044	1,251	1,609
Potash	550	671	974	880	750
Uranium	457	637	463	380	344
Other	368	379	442	539	609
Total Value of Mineral Sales	2,549	3,202	2,923	3,050	3,311
Volume of Mineral Sales					
Oil - Thousands of Cubic Metres	11,706	12,064	12,242	11,626	12,024
Potash - Thousands of Tonnes	6,288	7,022	7,106	6,275	6,333
Uranium - Thousands of Kilograms	7,444	11,223	8,416	7,695	6,950

Saskatchewan Economic Statistics (Cont.)

Calendar Year	1986	1987	1988	1989	Preliminary 1990
Personal Income - Millions of Dollars					
Wages, Salaries and Supplementary Labour Income	7,918	8,295	8,665	9,043	9,477
Net Income Received by Farm Operators from Farm Production*	1,134	782	681	834	397
Other Income	5,972	6,207	6,680	7,346	7,881
Total Personal Income	15,023	15,283	16,027	17,223	17,754
Farm Income - Millions of Dollars					
Farm Cash Receipts	4,144	4,354	4,425	4,468	4,046
Net Cash Income	1,339	1,591	1,661	1,433	907
Realized Net Farm Income	652	905	995	776	266
Total Net Farm Income**	1,362	724	161	1,166	1,057
Net Income Received by Farm Operators from Farm Production*	1,134	782	681	834	397
Population and Labour Force - Thousands of Persons					
Population as of June 1	1,010	1,016	1,014	1,007	1,000
Labour Force	489	489	488	482	483
Participation Rate (Per Cent)	66.6	66.4	66.4	66.2	66.8
Employed	452	453	451	446	449
Unemployed	37	36	37	36	34
Unemployment Rate, Saskatchewan (Per Cent)	7.7	7.4	7.5	7.4	7.0
Unemployment Rate, Canada (Per Cent)	9.5	8.8	7.8	7.5	8.1
Consumer Price Index - Annual Percentage Change					
Regina	2.1	4.9	4.3	4.6	4.2
Saskatoon	4.1	4.9	4.5	4.0	4.4
Canada	4.1	4.4	4.1	5.0	4.8
Private and Public Investment - Millions of Dollars					
New Capital Investment					
Construction	2,436	2,824	3,103	2,738	3,026
Machinery and Equipment	1,337	1,487	1,490	1,513	1,616
Total New Capital Investment	3,773	4,311	4,593	4,251	4,643
Repair and Maintenance	1,361	1,438	1,591	1,675	1,754
Total Private and Public Investment	5,135	5,749	6,184	5,926	6,397
Other					
Value of Manufacturing Shipments - Millions of Dollars	3,032	3,286	3,380	3,598	3,592
Value of Retail Trade - Millions of Dollars	4,999	5,254	5,502	6,191	6,351
Housing Starts - Units	5,510	4,895	3,856	1,906	1,417
Electric Power Generated - Millions of Kilowatt Hours	11,900	12,456	12,959	13,501	13,540

* GDP basis

** Includes the cash value of inventory changes.

Note: Components may not add to totals due to rounding.

Sources: Saskatchewan Bureau of Statistics, Saskatchewan Energy and Mines, Statistics Canada

Financial Highlights

1990-91 Fiscal Year Preliminary Results

Summary of Fiscal Position

Preliminary results for the 1990-91 fiscal year indicate Combined Funds revenue of $4,658.2 million and Combined Funds expenditures of $5,018.6 million. The result was a Combined Funds deficit of $360.4 million for 1990-91.

Revenue and Expenditure

Combined Funds revenue in 1990-91 totalled $4,658.2 million, an increase of 12.0% over 1989-90. The major factors contributing to this increase were a $258.1 million increase in federal transfers, primarily attributable to the Crop Assistance Program, a $109.3 million increase in transfers from Crown entities, a $64.6 million increase in non-renewable resource royalties, primarily from oil and potash, and a $63.4 million increase in tax revenue.

Combined Funds expenditures in 1990-91 totalled $5,018.6 million, an increase of 10.6% over 1989-90. The major factor contributing to this increase was the $277.4 million Canada/Saskatchewan Crop Assistance program for the farm sector. This program was paid by the Province with the federal contribution of $238.3 million being recorded as revenue due to provincial accounting policy. When the federal contribution to this program is netted out, Combined Funds expenditures increased 5.4% over 1989-90 actuals.

Other major factors accounting for the increased expenditures include the priority areas of Health, an increase of $129.9 million (9.3%), Agriculture, a net increase of $69.2 million (49.0%), and Education, an increase of $49.0 million (5.8%). The provincial grant to the Saskatchewan Crop Insurance Corporation increased by $106.2 million reflecting a new agreement with the federal government enhancing crop insurance protection for farmers. For the first time in several years, expenditures for Interest on the Public Debt declined due to lower interest rates.

Financing and Debt Management

Saskatchewan's financing activities involve the raising of funds through the issue and sale of Province of Saskatchewan securities. Funds raised are used to assist in the financing of the capital budgets of, and to provide a temporary credit facility for, Crown corporations and other agencies as well as for general government purposes. Crown corporations are responsible for reimbursing the Province for the costs of servicing the interest and principal associated with debt borrowed on their behalf. In addition to direct borrowing in the name of the Province, the Government of Saskatchewan provides loan guarantees for certain purposes such as bonds issued in the name of Crown corporations that are offered for sale to Saskatchewan residents.

At March 31, 1991, Gross Debt of the Province amounted to $12,450.4 million compared to $12,196.0 million at March 31, 1990. About 39.6 per cent of the Province's Gross Debt at March 31, 1991 was incurred for general government purposes. Approximately 60.4 per cent of the Gross Debt of the Province at March 31, 1991 was reimbursable from and was incurred for Crown corporations and other purposes.

About 86.0 per cent of the Gross Debt of the Province was denominated in Canadian dollars while about 14.0 per cent was denominated in other currencies at March 31, 1991. Included in the debt denominated in Canadian dollars are certain financing transactions that involved borrowing in foreign currencies and swapping or hedging the liability into Canadian dollars to eliminate the foreign exchange rate risk to the Province.

Securities issued and sold include Province of Saskatchewan Promissory Notes, Treasury Bills and debentures. At March 31, 1991, Promissory Notes, Treasury Bills and debentures outstanding were $492.5 million, $550.0 million and $11,407.9 million, respectively. Promissory Notes, Treasury Bills and debentures outstanding at March 31, 1990 were $2,703.2 million, $650.0 million and $8,842.8 million, respectively. Because of an improvement in its cash position, the Province ceased its weekly tender of 91 day Treasury Bills in March of 1991.

During 1990-91, the Province issued and sold $2,226.5 million (Canadian equivalent) in medium and long-term debentures for general government purposes. During the same period, the Province redeemed outstanding debentures issued for general government purposes totalling $368.6 million and reduced short-term debt issued for the same purpose by $1,589.5 million.

The Province issued and sold $1,198.1 million (Canadian equivalent) in medium and long term debentures for Crown corporations and other purposes during 1990-91. During the year, $450.0 million (Canadian equivalent) of debentures issued for Crown corporations were redeemed and short-term debt for the purpose of Crown corporations decreased by $721.2 million.

A favourable movement in foreign exchange rates during 1990-91 resulted in a $41.6 million reduction in Gross Debt of the Province (Canadian equivalent) at March 31, 1991. Of this amount, $7.5 million was a reduction in debt incurred for the purposes of Crown corporations and $34.1 million was a reduction in debt issued for general government purposes.

The Province's sinking funds totalled $429.6 million at March 31, 1991. Contributions to the Province's sinking funds amounted to $20.2 million in 1990-91, of which $17.9 million was contributed by Crown corporations in respect of the debt incurred by the Province for the purposes of those corporations and $2.3 million was contributed by the Province in respect of debt incurred for general government purposes.

Guaranteed debt of the Province was $1,249.0 million at March 31, 1991 compared to $961.3 million at March 31, 1990. This increase was primarily due to the Saferco Products Inc. fertilizer plant and a new issue of SaskPower Savings Bonds.

1991-92 Budget Estimates

The Budget Estimates for 1991-92 Combined Funds project total revenue of $4,554.2 million and total expenditures of $4,819.3 million, for a Combined Funds deficit of $265.1 million.

The 1991-92 Budget reflected the proposed two-staged harmonization of the provincial sales tax with the federal GST. The provincial sales tax base was expanded to include most goods, including restaurant meals, snack foods, clothing, reading materials, tobacco, pet food and non-prescription drugs, effective April 1, 1991. Full harmonization, including the introduction of input tax credits for businesses, will be effective January 1, 1992.

The 1991-92 Budget projected that Combined Funds expenditures would decrease by $199.3 million from the 1990-91 actual expenditures. When the $238.3 million federal contribution to last year's Canada/Saskatchewan Crop Assistance Program is netted out, the 1991-92 Budget projects an increase in expenditures of $39.0 million or 0.8% over 1990-91 actuals.

The Budget established a definitive six-point plan to balance the budget by 1993-94. The plan focuses on expenditure restraint with a provision for no new tax increases. Deficit targets of $265 million and $150 million have been established for each of the next two years respectively. The Budget will be in balance by the third year, 1993-94.

Public sector wage increases will be limited to a maximum of 4% for the current round of bargaining. Commencing in October, 1991 through 1991-92 and 1992-93, wage and compensation increases will be further restricted to a maximum of 2%. Operating grants to third parties in health and education will be limited to an increase of 3.5% in 1991-92 and 3.0% in 1992-93 and 1993-94. There will be no tax increases for the next three years with any new spending initiatives to be funded by reductions in other areas. The size of government will be reduced and made more effective and efficient. The plan also calls for financial arrangements between the federal government and the provinces to be renewed and improved.

The 1991-92 Budget continues the Government's commitment to support for the agricultural sector with the introduction of the new farm safety-net programs, GRIP (Gross Revenue Insurance Plan) and NISA (Net Income Stabilization Account). The provincial contribution to these programs will be $133.3 million this fiscal year. In total, funding for agriculture will increase by $60.3 million or 28.6% from the net 1990-91 actual expenditure.

Health expenditures are projected to increase by 4.4% or $66.8 million from the 1990-91 actual expenditure. This allows for a $19.0 million increase for medical care services, an $18.5 million increase for hospitals and an $8.3 million increase for special care homes. In addition, $79.2 million was provided for construction and renovation of hospitals and special care facilities.

The Government continues efforts to stabilize the economy of rural Saskatchewan through three separate strategies; the new agriculture safety-net programs, GRIP and NISA, to stabilize farm incomes, Fair Share Saskatchewan to stabilize rural communities and protect important infrastructure and the Community Bond Program to help diversify the economy and provide new jobs and new opportunities for Saskatchewan residents. Taken together, these programs will go a long way to stabilizing and diversifying the provincial economy, rural and urban.

The 1991-92 capital financing requirements are estimated to total $1,925.9 million of which $1,255.0 million will be for the purposes of Crown corporations and $670.9 million will be for general government purposes. Debt retirement is expected to amount to $1,208.4 million resulting in an increase in public borrowing of $717.5 million in 1991-92.

Borrowing by the Province from the Canada Pension Plan Investment Fund is estimated at $100.0 million leaving $1,825.9 million to be raised in various capital markets during 1991-92.

Government of the Province of Saskatchewan
Combined Funds
Statement of Financial Position

	At March 31				
Assets	**1987**	**1988**	**1989**	**1990**	**Preliminary 1991**
	(Thousands of Dollars)				**(unaudited)**
Cash and Short-term Investments	$ (140,975)	$ (47,089)	$ 9,793	$ 449,217	$ 323,513
Loans to Crown Entities	6,628,929	6,472,055	6,441,481	6,839,205	6,875,208
Loans - Other	111,415	77,209	109,365	186,908	143,967
Investment in Crown Entities	747,230	824,812	907,044	960,757	1,057,257
Investment in Agricultural Land and Improvements	157,175	149,945	141,298	138,075	136,344
Investments - Other	6,870	4,951	2,936	2,792	1,074
Total Assets	$ 7,510,644	$ 7,481,913	$ 7,611,917	$ 8,576,954	$8,537,363
Liabilities and Accumulated Deficit					
Debt for Crown Corporations	$ 6,548,030	$ 6,401,203	$ 6,366,047	$ 6,872,424	$ 6,913,726
Debt for Consolidated Fund - Operations	2,637,765	3,174,195	3,782,392	4,677,347	4,916,918
Debt for Others	193,266	192,515	191,818	191,051	190,221
Debt (Net of Sinking Fund Equity)	$ 9,379,061	$ 9,767,913	$10,340,257	$11,740,822	$12,020,865
Funds Held on Behalf of Crown Entities and Others	96,770	231,431	156,685	152,084	174,752
Unrealized Foreign Exchange Gain	--	--	--	--	29,451
Accumulated Deficit	(1,965,187)	(2,517,431)	(2,885,025)	(3,315,952)	(3,687,705)
Total Liabilities and Accumulated Deficit	$ 7,510,644	$ 7,481,913	$ 7,611,917	$ 8,576,954	$ 8,537,363

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Accumulated Deficit

	At March 31				
	1987	1988	1989	1990	Preliminary 1991
	(Thousands of Dollars)				(unaudited)
Accumulated Deficit, Beginning of Year	$ (666,051)	$ (1,965,187)	$ (2,517,431)	$ (2,885,025)	$ (3,315,952)
Deficit for the Year	(1,232,143)	(542,447)	(324,397)	(377,728)	(360,430)
Sinking Fund Earnings Retained in Sinking Funds	2,452	2,548	1,000	1,223	1,391
Loan Valuation Adjustments	(69,329)	(10,763)	(42,196)	(54,190)	(12,349)
Loss on Sale of Land	(116)	(1,582)	(1,999)	(232)	(365)
Accumulated Deficit	$ (1,965,187)	$ (2,517,431)	$ (2,885,025)	$ (3,315,952)	$ (3,687,705)

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure

For the Year Ended March 31

Revenue	1987	1988	1989	1990	Preliminary 1991
		(Thousands of Dollars)			(unaudited)
Taxes					
Corporation Capital	$ 48,256	$ 55,218	$ 86,946	$ 97,138	$ 114,028
Corporation Income	118,801	123,726	128,294	106,358	65,848
Fuel	31,541	161,168	144,442	173,101	174,074
Individual Income	692,079	768,555	847,836	898,555	980,203
Insurance	19,543	20,089	20,752	21,885	22,239
Mineral Acreage	3,367	5,917	5,829	5,839	5,662
Sales	356,597	455,302	496,634	502,304	518,078
Tobacco	78,584	89,810	99,066	102,497	100,977
Other Taxes	6,387	7,150	7,046	15,349	7,102
Total Taxes	$ 1,355,155	$ 1,686,935	$ 1,836,647	$ 1,924,826	$ 1,988,211
Transfers from the Government of Canada					
Canada Assistance Plan	$ 160,548	$ 156,801	$ 154,916	$ 152,539	$ 159,121
Equalization Payment	145,665	302,675	454,572	606,713	663,398
Established Programs Financing	409,307	406,233	396,994	415,733	370,839
Manpower Agreements	19,805	11,677	4,983	4,489	5,468
Statutory Subsidy	2,175	2,192	2,184	2,180	2,181
Other	51,460	34,601	53,386	47,330	288,108
Total Transfers from the Government of Canada	$ 788,960	$ 914,179	$ 1,067,035	$ 1,230,984	$ 1,489,115
Non-Renewable Resources					
Coal	$ 13,557	$ 18,439	$ 14,853	$ 13,931	$ 12,284
Natural Gas	21,887	22,178	36,337	34,587	49,591
Oil	212,926	347,261	187,862	254,251	283,036
Potash	36,982	48,899	96,080	31,335	49,940
Uranium	17,807	19,718	17,517	15,532	19,262
Other	1,848	1,999	2,886	2,378	2,462
Total Non-Renewable Resources	$ 305,007	$ 458,494	$ 355,535	$ 352,014	$ 416,575
Transfers from Crown Entities					
Crown Investments Corporation of Saskatchewan	$ --	$ --	$ --	$ 275,000	$ 310,000
Saskatchewan Liquor Board	140,000	--	194,000	135,000	185,000
Other	6,680	5,905	25,013	4,767	29,063
Total Transfers from Crown Entities	$ 146,680	$ 5,905	$ 219,013	$ 414,767	$ 524,063
Other Revenues					
Agricultural Lands	$ 17,500	$ 20,681	$ 19,507	$ 17,926	$ 15,764
Fines, Forfeits, and Penalties	8,846	9,040	8,977	9,714	9,029
Interest, Premium, Discount, and Exchange	20,259	25,407	19,309	38,732	48,001
Lands, Forest, Game, Fur and Fisheries Fees	10,970	11,614	11,769	12,690	11,599
Motor Vehicle Fees	61,255	67,874	79,291	79,227	76,670
Other Licenses and Permits	9,883	17,479	12,707	9,435	8,964
Sales, Services and Service Fees	40,627	45,928	37,867	39,483	38,636
Transfers from Other Governments	10,505	8,602	7,332	9,760	8,312
Other	24,871	23,660	18,130	18,894	23,223
Total Other Revenues	$ 204,716	$ 230,285	$ 214,889	$ 235,841	$ 240,198
Total Revenue	$ 2,800,518	$ 3,295,798	$ 3,693,119	$ 4,158,432	$ 4,658,162

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure

Expenditure	1987	1988	1989	1990	Preliminary 1991
	For the Year Ended March 31				
	(Thousands of Dollars)				(unaudited)
Advanced Education and Manpower	$ 263,822	$ --	$ --	$ --	$ --
Agriculture and Food	298,441	165,263	189,159	141,255	448,781
Community Services	123,715	94,218	88,820	92,797	101,108
Consumer and Commercial Affairs	5,174	5,435	5,565	5,179	3,669
Co-operation and Co-operative Development	2,860	--	--	--	--
Culture and Recreation	21,667	--	--	--	--
Culture, Multiculturalism and Recreation	--	--	--	7,262	15,740
Economic Diversification and Investment Fund	--	17,671	16,201	25,604	27,494
Economic Diversification and Trade	14,497	13,187	15,591	17,855	24,798
Education	437,445	779,886	810,400	848,106	897,135
Employment Development Agency	203,592	--	--	--	--
Energy and Mines	19,530	19,743	15,433	16,349	13,867
Environment and Public Safety	7,296	12,800	10,244	11,238	12,733
Executive Council	11,904	6,611	6,597	6,182	6,071
Family Foundation	--	--	--	142	4,726
Finance: Ordinary	28,814	133,958	153,861	187,898	186,871
Finance: Servicing the Public Debt	192,587	282,043	320,011	522,963	474,530
Health	1,165,204	1,183,594	1,249,220	1,400,967	1,530,905
Highways and Transportation	223,194	215,473	225,107	239,794	226,599
Human Resources, Labour and Employment	10,558	54,329	65,027	56,728	11,549
Indian and Metis Affairs Secretariat	2,583	--	3,752	4,616	4,370
Justice	112,417	128,016	140,795	149,388	153,351
Legislation	10,110	11,057	13,872	14,126	14,149
Local Government Finance Commission	234	--	--	--	--
New Careers Corporation	--	--	--	5,713	5,737
Northern Affairs Secretariat	666	--	--	355	465
Parks, Recreation and Culture	58,131	103,871	100,911	57,736	--
Parks and Renewable Resources	--	--	--	55,798	88,096
Provincial Auditor	3,504	3,230	2,890	3,144	3,048
Provincial Secretary	933	2,728	4,765	8,274	2,524
Public Participation	--	729	3,365	3,020	--
Public Service Commission	6,120	9,830	10,022	10,862	9,864
Revenue and Financial Services	135,630	--	--	--	--
Rural Development	55,391	54,378	70,029	77,615	78,939
Saskatchewan Assessment Authority	4,731	--	--	--	--
Saskatchewan Crop Insurance Corporation	17,155	11,931	14,927	18,940	125,138
Saskatchewan Gaming Commission	--	--	--	1,489	2,170
Saskatchewan Housing Corporation	45,937	110,584	75,141	112,317	76,903
Saskatchewan Library	8,225	--	--	--	--
Saskatchewan Municipal Board	447	447	772	821	892
Saskatchewan Property Management Corporation	--	8,102	6,763	7,063	27,082
Saskatchewan Research Council	4,081	7,840	6,479	7,505	6,134
Saskatchewan Water Corporation	25,930	12,456	21,058	29,590	10,838
Science and Technology	5,001	2,434	1,936	1,893	--
Seniors' Secretariat	--	--	--	9,835	50,941
Social Services	355,669	378,435	364,475	363,061	367,416
Supply and Services	139,076	--	--	--	--
Department of Telephones	463	493	505	5,060	3,422
Trade and Investment	9,375	7,473	5,823	7,320	--
Women's Secretariat	552	--	--	300	537
Total Expenditure	$ 4,032,661	$ 3,838,245	$ 4,019,516	$ 4,536,160	$ 5,018,592
Deficit for the Year	$ 1,232,143	$ 542,447	$ 324,397	$ 377,728	$ 360,430

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity

	For the Year Ended March 31				
Receipts	**1987**	**1988**	**1989**	**1990**	**Preliminary 1991**
	(Thousands of Dollars)				**(unaudited)**
Loans					
Agricultural Credit Corporation of Saskatchewan	$ 110,045	$ 623,100	$ 268,400	$ 209,000	$ 228,554
Agricultural Development Corporation of Saskatchewan	--	--	--	3,200	--
Crown Investments Corporation of Saskatchewan	188,000	349,125	579,522	304,392	484,742
Municipal Financing Corporation of Saskatchewan	--	--	--	33,304	7,057
Potash Corporation of Saskatchewan	5,000	578,020	--	--	--
Saskatchewan Crop Insurance Corporation	227,784	46,907	45,532	--	404,702
Saskatchewan Economic Development Corporation	37,276	--	7,588	--	37,875
Saskatchewan Government Printing Company	76	--	--	984	151
Saskatchewan Mining Development Corporation	--	230,466	376,523	--	--
Saskatchewan Power Corporation	184,826	49,752	128,060	799,502	4,001
Saskatchewan Property Management Corporation	--	--	100,000	52,531	61,084
Saskatchewan Telecommunications	13,283	772	15,074	7,100	69,080
Saskatchewan Water Corporation	--	9,839	3,000	350	--
NewGrade Energy Inc	--	60,678	--	--	--
Other	7,181	14,416	10,978	26,609	99,963
Total Loan Receipts	$ 773,471	$ 1,963,075	$ 1,534,677	$ 1,436,972	$ 1,397,209
Investments					
Potash Corporation of Saskatchewan	$ --	$ --	$ 418,554	$ --	$ --
Saskatchewan Mining Development Corporation	--	--	218,700	--	--
Investment in Agricultural Land and Related Assets	2,289	6,220	6,874	2,841	1,342
NewGrade Energy Inc	--	735	--	--	--
Other	3,787	1,154	2,044	145	1,718
Total Investment Receipts	$ 6,076	$ 8,109	$ 646,172	$ 2,986	$ 3,060
Deposits					
Crown Entities and Others	$ 106,316	$ 655,538	$ 136,822	$ 175,776	$ 264,967
Sinking Funds	19,682	18,837	18,340	17,703	17,852
Redemption of Sinking Funds	11,316	18,362	--	--	--
Total Deposit Receipts	$ 137,314	$ 692,737	$ 155,162	$ 193,479	$ 282,819
Total Receipts	$ 916,861	$ 2,663,921	$ 2,336,011	$ 1,633,437	$ 1,683,088

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity

Disbursements	1987	1988	1989	1990	Preliminary 1991
	For the Year Ended March 31				
	(Thousands of Dollars)				(unaudited)
Loans					
Agricultural Credit Corporation of Saskatchewan	$ 158,400	$ 400,000	$ 50,600	$ 55,065	$ 190,000
Agriculture Development Corporation	--	2,000	1,200	--	--
Crown Investments Corporation of Saskatchewan	287,809	1,060,551	645,523	1,127,963	558,191
Municipal Financing Corporation of Saskatchewan	5,500	6,200	17,700	39,508	16,271
Potash Corporation of Saskatchewan	115,255	--	--	--	--
Saskatchewan Crop Insurance Corporation	57,870	46,907	393,079	150,000	26,533
Saskatchewan Economic Development Corporation	26,000	48,640	3,919	29,896	25,000
Saskatchewan Mining Development Corporation	38,428	61,705	--	--	--
Saskatchewan Power Corporation	241,111	67,736	108,234	158,459	175,152
Saskatchewan Property Management Corporation	181,993	156,844	191,400	175,000	200,000
Saskatchewan Telecommunications	32,598	13,597	20,779	52,370	115,900
Saskatchewan Water Corporation	2,500	8,300	33,500	60,421	17,839
Other	89,796	42,159	82,905	155,850	55,782
Total Loan Disbursements	$ 1,237,260	$ 1,916,639	$ 1,548,839	$ 2,004,532	$ 1,380,668
Investments					
Crown Investments Corporation of Saskatchewan	$ --	$ 77,583	$ 719,485	$ 53,713	$ 96,500
Investment in Agricultural Land and Improvements	429	944	745	188	54
Other	300	--	--	--	--
Total Investment Disbursements	$ 729	$ 78,527	$ 720,230	$ 53,901	$ 96,554
Deposits					
Crown Entities and Others	$ 141,855	$ 520,876	$ 211,570	$ 180,377	$ 242,302
Sinking Funds	20,238	19,260	18,460	17,823	20,222
Total Deposit Disbursements	$ 162,093	$ 540,136	$ 230,030	$ 198,200	$ 262,524
Total Disbursements	$ 1,400,082	$ 2,535,302	$ 2,499,099	$ 2,256,633	$ 1,739,746
Total Excess of Receipts Over Disbursements	$ (483,221)	$ 128,619	$ (163,068)	$ (623,196)	$ (56,658)

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Changes in Financial Position

	For the Year Ended March 31				
	1987	1988	1989	1990	Preliminary 1991
	(Thousands of Dollars)				(unaudited)
Cash Requirements					
Operations					
Expenditure	$ 4,032,661	$ 3,838,245	$ 4,019,516	$ 4,536,160	$ 5,018,592
Revenue	2,800,518	3,295,798	3,695,119	4,158,432	4,658,162
Deficit for the Year	$ 1,232,143	$ 542,447	$ 324,397	$ 377,728	$ 360,430
Non-Cash items included in Deficit for the Year					
Amortization of foreign exchange gain	--	--	--	--	4,605
Gain on Swap of Foreign Currency Debt	--	--	43,773	--	--
Cash required for operations	$ 1,232,143	$ 542,447	$ 368,170	$ 377,728	$ 365,035
Loan, Investment and Deposits					
Disbursements	$ 1,400,082	$ 2,535,302	$ 2,499,099	$ 2,256,633	$ 1,739,746
Receipts	916,861	2,663,921	2,336,011	1,633,437	1,683,088
Cash used for loans, investments, and deposits	$ 483,221	$ (128,619)	$ 163,088	$ 623,196	$ 56,658
Net Cash Requirement	$ 1,715,364	$ 413,828	$ 531,258	$ 1,000,924	$ 421,693
Financing					
Proceeds from Debt	$ 1,760,981	$ 1,536,479	$ 1,153,202	$ 2,388,167	$ 3,424,563
Repayment of Debt	194,114	1,028,765	565,062	947,819	3,128,574
Cash from Financing	$ 1,566,867	$ 507,714	$ 588,140	$ 1,440,348	$ 295,989
Cash and Short-Term Investments					
Beginning of Year	$ 7,522	$ (140,975)	$ (47,089)	$ 9,793	$ 449,217
Net Cash Requirement	(1,715,364)	(413,828)	(531,258)	(1,000,924)	(421,693)
Cash from Financing	1,566,867	507,714	588,140	1,440,348	295,989
Cash and Short-Term Investments, End of Year	$ (140,975)	$ (47,089)	$ 9,793	$ 449,217	$ 323,513

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Notes to the Financial Statements

1. Significant Accounting Policies

1a. Reporting Entity

These statements combine transactions of the Consolidated Fund, the Saskatchewan Heritage Fund and related sinking funds. They account for monies received by the Funds, and appropriated by the Legislature from the Funds. The Consolidated Fund receives all revenues unless otherwise specified by law. The Saskatchewan Heritage Fund receives nonrenewable resource revenues and other revenues specified by law. Spending from each Fund is appropriated by the Legislature. Transactions between Funds are eliminated to avoid double counting.

These statements do not account for all financial affairs of the Saskatchewan Government. Other Government entities such as special purpose funds, revolving funds, pension funds, Crown corporations and other agencies, report separately in other financial statements. Only financial transactions to or from these other entities are included in the Combined Funds.

1b. Basis of Accounting

The financial statements are prepared using the cash basis of accounting modified to allow for an additional 30 days to pay debts incurred in the fiscal year and to collect revenues due in the fiscal year.

The Combined Funds' financial transactions are recorded under four categories:

Revenue

Revenue includes taxes, transfers from the Government of Canada, resource royalties, transfers from Crown enterprises, and other revenues.

Expenditure

Expenditure includes payments for goods and services, transfers to other parties, grants, and interest. Capital asset purchases are recorded as expenditure when purchased.

Lending and Investing

Short-term investments are recorded at cost. Gains (losses) on disposal are recorded as revenue (expenditure).

Loans to Crown entities and unrelated parties generally have fixed repayment terms and are interest bearing. Short-term loans to Crown entities are valued at par; all other loans are recorded at cost. Interest received on these loans offsets interest paid on money borrowed for the Crown entity or party.

Equity investments in Crown entities and unrelated parties do not have fixed repayment terms and are noninterest bearing. They are carried at cost. Transfers from Crown entities in respect of equity investments are recorded as revenue when received.

Where the liabilities of a Crown entity significantly exceed the estimated realizable value of its assets and the accumulated deficit is not funded by an appropriation, the loan to, or investment in, that entity will be written down directly to the accumulated deficit.

Agricultural land and improvements are assets held for resale. When sales are made, the recovery of the cost of land is recorded as recovery of the investment and gains are recorded as revenue. For sales made under long-term sales agreements, recovery of cost of land is recorded as an asset and gains are recorded as revenue when collected. Losses are charged directly to the Accumulated Deficit.

Financing

Debt is issued for the Consolidated Fund's purposes and for Crown entities. All debt is carried at face value. Foreign currencies have been converted to the Canadian dollar equivalent at the exchange rate in effect at March 31. Discounts and premiums are recorded as expenditure in the year issued. For debt issued for Consolidated Fund operations, foreign exchange gains or losses are included in interest if realized. Unrealized foreign exchange gains and losses are amortized on a straight line basis over the remaining life of the debt issue. Debt acquired for investing in agricultural land is reimbursable from the sale of the land.

Certain debenture issues require payments into a sinking fund. The Consolidated Fund is reimbursed by Crown entities for all sinking fund payments made on debt incurred on their behalf. Sinking funds invest in Province of Saskatchewan debentures as well as securities issued or guaranteed by provincial governments, municipal governments, or the Government of Canada until required to retire debt. The sinking funds calculate earnings according to the following policies:

- Interest income is recorded on the accrual basis.
- Premium/discount on long-term investments is amortized by type of security on a constant yield basis.
- Gains/losses on the sale of long-term investments are recognized in the year transacted.
- Earnings are retained within the sinking funds and accordingly are credited directly to the Accumulated Deficit when the related debt was issued for Consolidated Fund purposes.

Interest on money borrowed for Crown entities is netted against interest reimbursed by the entities. As a result, the reported amount excludes the portion relating to borrowings for those entities.

2. **Loan Guarantees, Contingencies, and Pension Liabilities**

Loan Guarantees - At year end, $1,249,048.00 in loans to other parties were guaranteed by the Minister of Finance. Payments on guarantees are treated as a Consolidated Fund expenditure. No payments were pending at year end.

Lawsuits - The cost of lawsuits against the Government of Saskatchewan is paid by the Consolidated Fund. Up to $54 million may be paid and up to 300,000 acres of land claimed in the future, depending on the outcome of lawsuits in progress.

Crop Insurance Liability - The Consolidated Fund pays deficiencies in the Crop Reinsurance Fund of Saskatchewan if they cannot be recovered from future insurance premiums. At year end, the deficiency was $177 million. Payments in the future will depend on future claims and premiums collected.

Pension Liabilities - The Consolidated Fund pays liabilities of various pension plans where plan assets are insufficient to do so. Any unfunded liability is not recorded in the statements. The amount of unfunded liability is shown below.

Name of Plan	Type of Plan	Date Liability Estimated	Unfunded Liability
			(Thousands of Dollars)
Public Service Superannuation Plan	Formula	March, 1988	$ 776,830
Teachers' Superannuation Fund	Formula	June, 1989	1,572,000
MLA's Superannuation Fund	Formula	March, 1986	15, 696
Judges of the Provincial Court Superannuation Fund	Formula	January, 1983	6,330
Other	Formula & Annuity	various dates	36,316
Total Unfunded Liability			$2,407,172

The Public Service Superannuation Plan does not operate a separate fund; the Consolidated Fund receives contributions and pays benefits.

The Public Employees Superannuation Plan, Teachers' Annuity Fund, and Teachers' Supplementary Allowances Fund have not incurred unfunded liabilities.

3. **Related Party Transactions**

Transfers from the Saskatchewan Liquor Board are determined by Treasury Board.

Approximately $129,341,000 of transactions between government departments and Saskatchewan Property Management Corporation (SPMC) were carried on during the year. These transactions occurred at amounts intended to recover SPMC's cost of providing service.

4. **Comparative Information**

Certain of the 1987 to 1990 figures have been reclassified to conform with the current year presentation; however, with regard to the expenditures, the figures are reported on the same basis as the Estimates for the prior years.

Government of the Province of Saskatchewan
Statement of Total Debt

	At March 31				
	1987	1988	1989	1990	Preliminary 1991
	(Thousands of Dollars)[1]				(unaudited)
Promissory Notes (for the purpose of)					
Crown Corporations [2]	$ 1,447,352	$ 1,034,741	$ 940,891	$ 1,455,845	$ 342,500
Consolidated Fund - Operations	315,263	164,639	567,759	1,247,354	150,000
Total Promissory Notes	$ 1,762,615	$ 1,199,380	$ 1,508,650	$ 2,703,199	$ 492,500
Treasury Bills (for the purpose of)					
Crown Corporations[2]	$ --	$ --	$ --	$ --	$ 392,188
Consolidated Fund - Operations	650,000	650,000	650,000	650,000	157,812
Total Treasury Bills	$ 650,000	$ 650,000	$ 650,000	$ 650,000	$550,000
Debentures (for the purpose of)					
Crown Corporations [2]	$ 5,503,513	$ 5,811,003	$ 5,844,495	$ 5,850,637	$ 6,591,880
Consolidated Fund - Operations	1,696,966	2,368,629	2,574,827	2,799,909	4,624,404
Other [2] - Federal/Municipal	7,399	6,783	6,233	5,639	4,995
- University of Saskatchewan	2,242	2,234	2,226	2,217	2,208
- Investment in Agricultural Land	184,436	184,436	184,436	184,436	184,436
Total Debentures	$ 7,394,556	$ 8,373,085	$ 8,612,217	$ 8,842,838	$ 11,407,923
Gross Debt	$ 9,807,171	$10,222,465	$10,770,867	$12,196,037	$ 12,450,423
Less: Equity in Sinking Funds (for the purpose of)					
Crown Corporations	$ 402,835	$ 444,541	$ 419,339	$ 442,436	412,842
Consolidated Fund - Operations	24,464	9,073	10,194	11,537	15,298
Other - University of Saskatchewan	811	938	1,077	1,242	1,418
Total Equity in Sinking Funds	$ 428,110	$ 454,552	$ 430,610	$ 455,215	$ 429,558
	$ 9,379,061	$ 9,767,913	$10,340,257	$11,740,822	$ 12,020,865
Guaranteed Debt	559,637	884,730	1,084,469	961,271	1,249,048
Total Debt	$ 9,938,698	$10,652,643	$11,424,726	$12,702,093	$ 13,269,913

[1] Debt repayable in foreign currency has been restated in Canadian dollar equivalents.
[2] These enterprises are responsible for the repayment of principal and interest.

Government of the Province of Saskatchewan
Gross Debt by Allocation

	At March 31				
	1987	1988	1989	1990	Preliminary 1991
	(Thousands of Dollars)[1]				(unaudited)
Reimbursable Debt					
Crown Corporations					
Agricultural Credit Corporation of Saskatchewan	$ 1,263,843	$ 1,040,743	$ 772,343	$ 669,008	$ 630,454
Agricultural Development Corporation	--	2,000	3,200	--	--
Crown Investments Corporation of Saskatchewan [2 3 4]	745,848	1,433,519	1,617,187	2,440,758	2,514,207
Municipal Financing Corporation of Saskatchewan	76,724	82,924	100,624	106,828	116,042
Potash Corporation of Saskatchewan [2]	573,734	--	--	--	--
Saskatchewan Crop Insurance Corporation	79,235	79,235	426,782	576,782	198,613
Saskatchewan Economic Development Corporation	57,671	106,411	102,642	132,538	119,664
Saskatchewan Government Printing Company	2,100	2,100	2,100	706	--
Saskatchewan Housing Corporation	317,304	317,304	317,304	317,304	317,304
Saskatchewan Mining Development Corporation [3]	558,317	370,060	--	--	--
Saskatchewan Power Corporation [4]	2,316,210	2,296,159	2,255,457	1,603,299	1,769,113
Saskatchewan Property Management Corporation	181,993	340,836	385,136	554,705	693,620
Saskatchewan Telecommunications	760,510	758,716	756,274	798,146	843,304
Saskatchewan Water Corporation	17,376	15,837	46,337	106,408	124,247
Total Crown Corporations	$ 6,950,865	$ 6,845,744	$ 6,785,386	$ 7,306,482	$ 7,326,568
Other					
Federal/Municipal	$ 7,399	$ 6,783	$ 6,234	$ 5,639	$ 4,995
Investment in Agricultural Land	184,436	184,436	184,436	184,436	184,436
University of Saskatchewan	2,242	2,234	2,225	2,217	2,208
Total Other	$ 194,077	$ 193,453	$ 192,895	$ 192,292	$ 191,639
Total Reimbursable Debt	$ 7,144,942	$ 7,039,197	$ 6,978,281	$ 7,498,774	$ 7,518,207
Non-Reimbursable Debt					
Consolidated Fund - Operations	$ 2,662,229	$ 3,183,268	$ 3,792,586	$ 4,697,263	$ 4,932,216
Gross Debt	$ 9,807,171	$10,222,465	$10,770,867	$12,196,037	$ 12,450,423

[1] Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

[2] During the 1987-88 fiscal year the Potash Corporation of Saskatchewan repaid its loans to the Government of Saskatchewan using funds provided by the Crown Investments Corporation. The Government of Saskatchewan provided loans to the Crown Investments Corporation for this purpose.

[3] During the 1988-89 fiscal year, Saskatchewan Mining Development Corporation repaid its loans to the Government of Saskatchewan using funds provided by the Crown Investments Corporation. The Government of Saskatchewan provided loans to the Crown Investments Corporation for this purpose.

[4] During the 1989-90 fiscal year, the assets and liabilities of SaskEnergy were transferred from Saskatchewan Power Corporation to Crown Investments Corporation.

Crown Investments Corporation of Saskatchewan

Introduction

Crown Investments Corporation of Saskatchewan, which conducts its daily operations under the name Crown Management Board of Saskatchewan (CMB), is a provincial Crown corporation without share capital operating under authority of **The Crown Corporations Act, 1978**. The Corporation is responsible for administering provincial government policy as it relates to those Crown corporations under its purview with particular emphasis on business efficiency and effective management. Crown corporations of a commercial nature are designated by Order-in-Council to be under the purview of CMB. All other Crown corporations report directly to Treasury Board, which is a committee of Cabinet.

During recent years, CMB has been increasingly active in fostering economic growth and diversification in the Province. CMB has accomplished this through investment in new commercial ventures or by privatization of Crown-owned companies. As a result of the privatizations and new investments, partnerships are created with the private sector resulting in new capital and expertise, both of which are needed to support successful growth and diversification. The investments in new ventures are consistent with the objectives of privatization, because in each of the new investments a plan is in place for reducing the ownership position once the venture is successfully operating. Whenever possible, CMB promotes Saskatchewan products and services through the "Buy Saskatchewan" policy.

Each year the financial statements of CMB are consolidated with the aforementioned Crown corporations and other investments to provide the Legislature with financial information relating to the aggregate results of these corporations. The corporations provide a wide variety of services and sell various commodities in both domestic and international markets. The diversified nature of the corporations within the consolidated group is such that the operating results are affected by events and conditions occurring throughout the world.

The financial results of CMB's consolidated operations for the past five years are summarized in the following schedule. Investments include shares held in private and public companies as well as bonds and debentures. Investments in shares of companies are recorded at cost except where CMB exercises significant influence. Investments where CMB exercises significant influence but has less than a controlling interest are accounted for by the equity method. Bonds and debentures are recorded at amortized cost. Where there has been a material decline in the value of an investment that is not considered temporary, the investment is written down to its net realizable value.

Current Year's Highlights

For the 1990 fiscal year, CMB reported consolidated net income of $117 million on total revenues of $1.75 billion, compared with a consolidated net loss of $161 million on total revenues of $2.04 billion in 1989. The 1989 consolidated net loss resulted primarily from the loss on the partial privatization of the Potash Corporation of Saskatchewan Inc.

During 1990, capital expenditures made by CMB and the Crown corporations under its purview totalled $557 million compared to $512 million spent in 1989. Taxes and resource payments made to the province by the corporations were $69 million in 1990 and $90 million in 1989. Total assets administered by CMB increased slightly from $6.8 billion (restated) in 1989 to $6.9 billion in 1990.

1. **Crown Corporations**

   The active Crown corporations under CMB's jurisdiction at December 31, 1990 were: Saskatchewan Development Fund Corporation, Saskatchewan Economic Development Corporation, Saskatchewan Forest Products Corporation, Saskatchewan Government Insurance, Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Transportation Company, and Saskatchewan Water Corporation. During 1990, the Agricultural Development Corporation of Saskatchewan was wound up. Of the active Crowns, Saskatchewan Power Corporation and Saskatchewan Telecommunications are the most significant in terms of asset base and operating income generated.

   a) **Saskatchewan Power Corporation**

      Saskatchewan Power Corporation (SaskPower) was established by Order-in-Council in 1949 and formalized as a Crown corporation by an Act of the Legislative Assembly passed in 1950. In accordance with the provisions of the **Power Corporation Act**, the Corporation's main functions include the generation, purchase, transmission, distribution and sale of electrical energy.

      In 1990 SaskPower continued its restraint program on spending and recorded a net income of $118 million on revenues of $675 million. The Corporation entered the new decade with "the strongest balance sheet of any provincially-guaranteed utility in Canada." The Dominion Bond Rating Service made this assessment in August 1990.

      From this strong financial base, SaskPower is in a better position to serve its customers. Rates for manufacturers, food processors, and small business customers were reduced to make them more competitive with operations in other provinces. All other rates remained the same as in 1989. This reflects SaskPower's concern for its customers, particularly in difficult economic times.

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position

	At December 31				
	1986	**1987**	**1988**	**1989**	**1990**
	(Thousands of Dollars)				
Assets	(Note 1)	(Note 2)	(Note 3)	(Note 4)	
Current	$ 759,229	$ 863,117	$ 860,948	$ 764,874	$ 536,924
Investments	704,763	882,433	1,546,832	2,097,447	2,023,614
Property, Plant and Equipment	5,559,805	5,283,506	4,768,227	3,858,126	4,201,148
Other Assets	275,880	143,867	107,253	104,066	101,929
Total Assets	$ 7,299,677	$ 7,172,923	$ 7,283,260	$ 6,824,513	$ 6,863,615
Liabilities and Province's Equity					
Current	$ 1,342,386	$ 1,833,628	$ 1,062,745	$ 997,880	$ 2,249,943
Deferred Revenue and Minority Interest	242,972	252,490	309,985	259,749	269,662
Long-term Debt	4,537,083	4,053,506	4,279,451	4,155,652	3,216,802
Province's Equity	1,177,236	1,033,299	1,631,079	1,411,232	1,127,208
Total Liabilities and Province's Equity	$ 7,299,677	$ 7,172,923	$ 7,283,260	$ 6,824,513	$ 6,863,615

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations

	For the Year Ended December 31				
	1986	**1987**	**1988**	**1989**	**1990**
	(Thousands of Dollars)				
Revenue	(Note 1)	(Note 2)	(Note 3)	(Note 4)	
Sales of Products and Services	$ 1,979,941	$ 1,907,840	$ 2,025,388	$ 1,924,051	$ 1,668,233
Investment Income	62,017	130,987	80,847	70,104	53,650
Other	73,597	75,645	39,244	48,223	28,487
Total Revenue	2,115,555	2,114,472	2,145,479	2,042,378	1,750,370
Expenses					
Operating Costs Other Than Those Listed Below	1,326,269	1,121,284	1,108,046	1,032,726	940,614
Interest	527,880	520,652	485,085	459,027	472,476
Depreciation and Depletion	305,984	287,575	276,322	244,592	228,083
Saskatchewan Taxes and Resource Payments	94,098	80,927	90,598	90,063	69,452
Total Expenses	2,254,231	2,010,438	1,960,051	1,826,408	1,710,625
Earnings before Non-recurring Items and Minority Interest	(138,676)	104,034	185,428	215,970	39,745
Non-recurring Items and Minority Interest	1,462	—	249,817	(376,674)	77,207
Net Income (Loss)	$ (137,214)	$ 104,034	$ 435,245	$ (160,704)	$ 116,952

Note 1: The 1986 financial statements were changed to reflect an addition to the previously recorded minority interest. The result of this adjustment to the 1986 accounts is an increase of $9 million in minority interest in subsidiary and a decrease of $9 million in reinvested earnings.

Certain of the other 1986 comparative figures have been reclassified to conform with the current period presentation.

Note 2: The 1987 financial statements were changed to reflect changes in accounting policies relating to deferred exploration and development expenditures and in accounting for customer contributions and gas inventories. There was no effect on 1987 net income as a result of these changes.

Note 3: The 1988 financial statements were changed to reflect a retroactive change in an investee corporation's method of inventory valuation. The result of this adjustment to the 1988 accounts is an $8.2 million increase in reinvested earnings and a decrease of $1.6 million in net income.

Certain of the other 1988 comparative figures have been reclassified to conform with the current period presentation.

Note 4: Certain of the 1989 comparative figures have been reclassified to conform with the current period presentation.

Finance charges continued to fall, both in dollar value and as a percentage of revenue. For each dollar of revenue in 1990, only 20 cents was used to pay finance charges, the lowest level since 1979. At one point, 42 cents of every revenue dollar was being spent on finance charges. Unlike previous years, cash from operations was well above debt servicing requirements.

Construction continued on the Shand Power Station and on SaskPower's longest transmission line stretching from Island Falls Hydroelectric Station to Points North in northern Saskatchewan.

The LIFAC technology, which will reduce sulphur dioxide emissions from power plants, was first unveiled in North America at SaskPower's Poplar River Power Station near Coronach in August. This installation was designed to test the technology under Saskatchewan conditions as it is planned for use at the Shand Power Station.

In 1990, SaskPower bought more than 90 percent of its goods and services from within Saskatchewan. This is a record for the Corporation since the Saskatchewan Supplier Development Program began in 1983. SaskPower actively searches for local companies to produce goods and services previously only available from outside sources. As a result of SaskPower's program, more than 125 such products are now manufactured in the province.

Current forecasts predict that by mid-1994, Saskatchewan's demand for power will outstrip the supply available. Last year SaskPower announced a program inviting the public to participate in its planning process on how to meet this growing demand. This will ensure that the options the Corporation chooses will reflect the values of Saskatchewan people.

b) **Saskatchewan Telecommunications**

Saskatchewan Telecommunications (SaskTel) has entered the 1990s with a great deal of pride in its record of achievement on behalf of the people of Saskatchewan. The Company continues to search for new opportunities of benefit to its customers. SaskTel's objective is to be the leader in bringing the benefits of the information age to the people of Saskatchewan.

Despite its ambitious investments in technology, expansion of services and substantial reductions in long distance rates, the company in 1990 continued to maintain a strong financial performance. Net earnings for the year were $46.9 million on total revenues of $574.5 million. Total revenues increased $21 million or 3.8% over 1989. Operating expenses grew at less than the rate of inflation during 1990, increasing $17.6 million or 4.2% to $434.7 million. General and administrative expenses were held to a 1.1% increase, indicative of the efforts expended to contain costs.

Increased demand for telecommunications products and services was offset by continued interprovincial long distance rate reductions. These rate reductions have provided substantial savings to our customers, while putting downward pressure on earnings. The 40/40 Plan, which was introduced as a new standard for basic service, provides 40 minutes of free direct-dialed calling per month within a 40-mile radius of each customer's home telephone exchange. The 40/40 Plan was part of a package of policy and rate changes announced late in the year which together represents an annual savings to SaskTel customers of $18 million.

The past year marked the virtual completion of the $225 million Individual Line Service (ILS) program, the largest single project in the company's history. ILS provides advanced urban-quality service to rural customers throughout the province. Originally estimated to cost $264 million when announced in 1986, the project was concluded on time and $39 million under budget.

In conjunction with the ILS program, SaskTel has invested more than $275 million in a computer-driven switching equipment system. The new network will vastly improve the quality, dependability, performance and cost-effectiveness of many telecommunications services.

SaskTel's cellular service is the most widely available in the province. SaskTel has expanded the service to a number of communities including Yorkton, Melville, Esterhazy, Prince Albert, Fort Qu'Appelle and the surrounding districts. As demand for cellular service grows, SaskTel's aggressive expansion of coverage areas signals its intention to be the undisputed leader in the competitive business of wireless communications.

During 1990, quality and efficiency continued to guide SaskTel's streamlining of many internal operating procedures. While reducing operating costs, these on-going mechanization projects are enhancing the Corporation's ability to improve customer service through faster installation and repair times, and quicker responses to billing inquiries. In 1990, SaskTel bought in excess of 82% of its goods and services valued at more than $160 million from Saskatchewan suppliers.

2. **Major Investments**

In order to encourage the development of natural opportunities and build on the strengths of the Province, CMB has invested as a commercial partner in various enterprises.

One such major investment is NewGrade Energy Inc. (NewGrade), owned jointly by CMB and Consumers' Co-operative Refineries Limited (CCRL). NewGrade was established to construct and operate a heavy oil upgrader in Regina designed to process 50,000 barrels per day of Saskatchewan's previously unused natural reserves of heavy crude oil. While providing a reconstituted crude feedstock to CCRL, NewGrade provides direct permanent employment for 190 people at the facility and increased

employment in related exploration, production and service industries.

In partnership with Husky Oil Ltd., the Government of Canada and the Government of Alberta, CMB owns a 17.5% interest in the Bi-Provincial Upgrader located at Lloydminster. Construction of the upgrader began in 1989 and operations start-up is scheduled near the end of 1992. The facility, which will produce 46,000 barrels per day of synthetic crude oil, will provide 8.5 million man hours of employment during construction and create 330 permanent jobs when operations commence.

Construction began in March 1990 on one of the world's first zero-effluent chemithermomechanical pulp (CTMP) mills near Meadow Lake. The $349 million, 240,000 tonne per year capacity CTMP mill is owned 49% by CMB with the remaining 51% held by Millar Western. The project, in addition to providing 560 construction jobs at peak, 110 permanent jobs at the mill and another 150 in the woodlands operation when operational, is extremely sensitive and aware of environmental concerns. In this regard, the unique manufacturing process does not discharge any effluent into rivers and streams, nor does it produce dioxins or noxious odours. In addition, modern forest management practices will be followed to ensure that previously unused aspen resources will provide the necessary fibre on a sustainable basis.

In May 1990, construction began on a world-scale nitrogen fertilizer plant near Belle Plaine. Saferco Products Inc. (Saferco), a joint venture between CMB and Cargill Canada, was created to construct and operate the plant which will use natural gas, readily available in Saskatchewan, as a feedstock to produce anhydrous ammonia and urea fertilizers. The project is expected to create 2 million man hours of employment during construction and provide 130 direct jobs and an estimated 500 jobs in related industries upon commencement of operations.

CMB holds shares in major publicly traded corporations as a result of mergers and/or public participation in Crown corporations. Through Saskatchewan Mining Development Corporation, CMB owned 61.5% of Cameco Corporation (Cameco), a major Canadian resource development company with uranium and gold mining operations in northern Saskatchewan and uranium processing facilities in Ontario. Cameco reported net earnings of $91.6 million in 1990. In July 1991, Cameco, in an initial public offering, successfully offered for sale to the public 9.6 million common shares which will effectively reduce CMB's ownership to approximately 50%. Cameco will be listed on the Toronto and Montreal Stock Exchanges.

CMB owns 28.3% of Potash Corporation of Saskatchewan Inc. (PCS Inc.) through CIC Mineral Interests Corporation (formerly Potash Corporation of Saskatchewan). PCS Inc., listed on the Toronto, Montreal and New York Stock Exchanges, reported net earnings of $25.4 million in 1990.

3. **Major Wholly-Owned Subsidiaries**

a) **Saskatchewan Energy Holdings Ltd. (SaskEnergy)**
SaskEnergy, formerly Saskatchewan Energy Corporation, is a share capital corporation incorporated under **The Business Corporations Act (Saskatchewan)** and wholly-owned by CMB. During 1988, SaskEnergy acquired the net natural gas assets and assumed the natural gas operations of SaskPower.

During 1990, SaskEnergy recorded net earnings of $25 million and capital expenditures for the year totalled $82 million. In keeping with fiscal restraint, SaskEnergy managed to control operating costs and maintain the second lowest natural gas rates overall in Canada. The amount of natural gas transported increased by 14% from 1989, and new construction extended the pipeline infrastructure within the Province to some 11,000 kilometers. In 1990, SaskEnergy's Gas Distribution Program extended services to more than 2,000 new rural customers. Since its inception in 1983, this program has provided gas services to over 33,000 new customers in rural areas. More than 88% of SaskEnergy's spending in 1990 was for goods and services from Saskatchewan suppliers.

b) **CIC Industrial Interests Inc. (CIC III)**
CIC III, a share capital corporation incorporated under **The Business Corporations Act (Saskatchewan)**, is also a wholly-owned subsidiary of CMB. CIC III's assets include CMB's interests in the Bi-Provincial Upgrader, the Meadow Lake pulp mill and the Saferco fertilizer plant as well as a 9.5% voting interest in Saskoil. During 1990, CIC III reduced its voting interest in Saskoil from 24.6% to 9.5%. A gain of $32.1 million was realized on the sale. During the year, CIC III also reduced its ownership interest in IPSCO Inc. from 15.7% to less than 1%, which resulted in a gain of $10.1 million. CIC III also holds various debt instruments including the Weyerhaeuser Canada Ltd. income debenture.

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